



FEB. 5, 2004 CHAIRMAN NICKLES OPENING STATEMENT FOR OMB HEARING

Senator Conrad, thank you very much. I'll just make a couple of comments and then we'll recognize Director Bolten. A couple of comments -- one, we had a big challenge last year to pass last year's budget. It wasn't easy. Last year we were facing still the end, I guess, of a very soft economy. The stock market was still very, very weak. And we were fighting a war. Our budget we passed last year funded both of those. We did pass a growth package, and the growth package worked. The stock market is up substantially. We did fund the war. If you look at the chart, it shows that actually the economy started declining in the year 2000. Some people want to say, well, it was a Bush recession. But if you actually notice, it started declining substantially in the year 2000. NASDAQ declined by 50 percent in the year 2000. We had a very soft economy. And so, we needed to do some things that would change it. The stimulus package that we passed -- and I might mention both Democrats had a stimulus package, and we had a stimulus package. And ours was supported by bipartisan majority. It became law, and it did work.

If you look at the next chart, the stock market has grown by over \$4 trillion since last February. We did cut the tax on dividends in half. Maybe some people want to double those again. But we made the tax on dividends 15 percent. We made the tax on cap gains at 15 percent, and I think both of which greatly helped our economy and is evidenced by the significant appreciation we've seen in the stock market. I think the Dow Jones is up 25 percent, NASDAQ up 50 percent. That is a big change and I think in large part because of the changes that we made and that we proposed. If you look at the next chart, there was a significant appreciation in jobs. You keep hearing about the jobs. The household survey shows that we're at an all-time high unemployment. There's a difference between household survey and the wage survey. And I don't need to debate that, but it shows at least if you look at this trend, the employment situation has improved rather substantially.

But I don't disagree with Senator Conrad. I think there are challenges that are very great before us. We're spending a lot more than we're taking in, and the deficits are way too high. And I'll tell my friend and colleague, Senator Conrad, I'll work with him to get them down. I will work with anybody, Democrat or Republican, to reduce these deficits. I think they're way too high. If you look at the next chart, it kind of shows just the history of where we are. The green on the chart shows the revenues. And you can just note that it's kind of put in this way so you can see what revenues actually went way back. That's never happened before. We had three years in a row really where revenues didn't grow,

actually they declined. If you look at the history, Senator Byrd, revenues over history in the United States almost always had some growth. We actually had a very significant reduction, not because of the tax cut, mostly because of the recession. The tax cut had some play in it, but the recession was the biggest reason why you had such a significant drop from over \$2 trillion to about \$1.78 trillion. And I know, Senator, the figures estimated by both CBO and OMB very little growth between '03 and '04. I hope those are underestimated. And my guess is they did. I will just say that we'll find out 10 months from now. But I think they underestimated the amount of revenue we're going to receive in '04. I'm not sure about your '05 number, but we'll talk about that. But you notice in the red line expenditures have gone up every single year. So we had a reduction in revenues, mostly because of the recession, somewhat because of the tax cut. But we had an increase in the red line as outlays. Most of the outlay growth, if you look at the next chart, you'll see is kind of divided up between all other spending, domestic discretionary spending. DOD is the red line, defense. You notice the last couple of years -- and if you add the war, the war being the big delta, we had supplementals of \$91 and \$87 billion in '03 and '04. That's that top delta that shows a big increase in spending because we had to fight the war. The yellow lines are new spending. That's homeland security. That's where most of the new money went. So I just make mention of those comments the fact that we have a big challenge. We're spending more than we're taking in. We've got to close that gap. And it won't be easy. And it probably won't be done unless we all work together to make it happen. We have to have a budget. The administration has proposed a budget. We will work to pass a budget this year. It wasn't easy last year. It won't be easy this year. But I think it'd be irresponsible for Congress if we don't pass a budget. And so, I applaud the administration. They've given us the challenge, and they said that they think we should reduce the deficit by half in five years. I believe strongly that we should do that. I hope that we can accelerate that. I hope that we can cut the deficit in half -- did I say balance the budget or cut it in half? The administration wants us to cut the deficit in half in five years. I hope we can meet or exceed that level. I hope we can do it in two or three years. I can't stand the idea of having deficits in the four and \$500 trillion levels. It bothers me daily. And I am very serious about that. So I hope we can aggressively try and get our deficit, whether you're talking about GDP or you're talking about dollar-wise, get it in a much smaller, more sustainable figure in the \$200 billion level in the next year or so. And I will work aggressively to do that. And that may mean taking on some popular programs like a highway bill that my colleague from Oklahoma is in the process of passing and others. So I want that bill to be paid for. And presently, it's not paid for satisfactorily and certainly not entirely. And I want to thank my friend, Senator Conrad, because he was of great assistance in our markup on that bill on Monday. So we have many, many big challenges before us. We look forward to the administration presenting their budget to us. And just for the information of our colleagues, we had scheduled to have Secretary Snow testify yesterday and couldn't because of the loss of the hearing room in Dirksen. We're trying to reschedule him for as soon as possible. I was hoping that we'd be able to get Secretary Snow Tuesday or Wednesday. We had Secretary Thompson scheduled for next Thursday. And that will be in the Senate. And then we have a couple of others lined up, and we'll notify all members as soon as possible on that. We do expect to work through the entire budget process in these two months. And so, we've got a lot of work to do. And we'll have hearings basically throughout this month. And then in the month of March,

we'll begin the committee markup, floor markup and conference. I told Senator Byrd I wanted to talk to him about it. I do want to tell all members I would like to improve the process that we consider the budget on the floor. I've been embarrassed with our vote marathons, vote-a-thons, whatever you want to call them. It's not a good way to legislate. And I think we all recognize that. So maybe we can see if we can't together, collectively, in a bipartisan way, improve the procedure on the floor and, frankly, add more respect and dignity to the Senate in consideration of something of the magnitude of \$2.4 trillion. We need to do a better job in managing the floor in that effort. So I'm going to work with our colleagues and see if we can't come up with some other improvements. And I appreciate very much Senator Conrad's willingness to consider some changes that might be to the improvement, not just this year, but, frankly, in future years.

And with that, Director Bolten, we will recognize you for your comments. Welcome to the Budget Committee.